

SESSION 5

# PURSUING OPTIMAL RETURNS

WISE INVESTING

## SESSION 4

# *PURSUING OPTIMAL RETURNS*

## WISE INVESTING

### **BIBLICAL ROOTS OF INVESTING**

#### 1 TIMOTHY 6:17-19 ESV

As for the rich in this present age, charge them not to be haughty, nor to set their hopes on the uncertainty of riches, but on God, who richly provides us with everything to enjoy. They are to do good, to be rich in good works, to be generous and ready to share, thus storing up treasure for themselves as a good foundation for the future, so that they may take hold of that which is truly life.

#### PROVERBS 21:20 ESV

Precious treasure and oil are in a wise man's dwelling, but a foolish man devours it.

#### PROVERBS 13:11 ESV

Wealth gained hastily will dwindle, but whoever gathers little by little will increase it.

#### ECCLESIastes 11:2

Invest in seven ventures, yes, in eight; you do not know what disaster may come upon the land.

### **The Parable of the Bags of Gold | Matthew 25:14-30**

Master entrusted wealth to servants

- Servant 1: 5 bags → 10 bags
- Servant 2: 2 bags → 4 bags
- Servant 3: 1 bag → 1 bag

#### MATTHEW 25:21

His master replied, "Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!"

#### MATTHEW 25:27

Well then, you should have put my money on deposit with the bankers, so that when I returned I would have received it back with interest."

#### LUKE 16:11 NIV

So, if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?

## WISE INVESTING PRINCIPLES

### Today's Challenges

- 65% of American workers live paycheck to paycheck
  - CNBC, April 2024 (n=498)
- 56% of U.S. adults can't afford a \$1,000 emergency expense
  - Bankrate, January 2024

Average retirement savings by age (from edwardjones.com):

Under 35	\$ 49,130
35 to 44	\$ 141,520
45 to 54	\$ 313,220
55 to 64	\$ 537,560
65 to 74	\$ 609,230
75 or older	\$ 462,410

- \_\_\_\_\_ and \_\_\_\_\_ your goals first.
- Create a \_\_\_\_\_ to reach your goals.

Example:

- \$2,500 Emergency Fund
- Save enough in 401k for company match
- Save \$300/month to buy car

Three areas of focus:

- Emergency Fund
- Short-term Savings (3-5 years)

*"I'm not so much interested in the return \_\_\_\_\_ my money as I am in the return \_\_\_\_\_ my money." (Will Rogers)*

- Long-term Savings/Investments (5+ years)
  - Rate of return is \_\_\_\_\_ to success
  - Compounding!
- \_\_\_\_\_ in the market, \_\_\_\_\_ the market

## INSIGHT

Which IRA works best for your situation?

- Traditional IRA, Deductible
- Roth IRA, Non-deductible
- Traditional IRA, Non-deductible

General description only, each option has limitations, special considerations—check with your financial advisor.

### Compounding example:

- 20-year-old investor
- \$200/mo deposit
- 50 years
- 7% annual return

Total invested: \$120,000
Total value: \$1,006,590
Total gain: \$886,590

### Time in the Market: Positive Returns in the Stock Market (Source: Returns 2.0)

– One-day periods	54%
– One-month periods	62%
– One-year periods	79%
– 10-year periods	94%
– 20-year periods	100%

### Types of Investments

- **Debt:** \_\_\_\_\_ your money

Lower risk/return than equity

- Savings Account
- Checking Account
- Certificates of Deposit (CDs)
- U.S. Treasury Bills/Notes
- Bonds

- **Equity:** \_\_\_\_\_

Higher risk/return than debt

- Stocks
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Real Estate
- Precious Metals
- Collectables
- Crypto currency
- Alternative investments: venture capital, private equity, hedge funds, etc.

### Types of Accounts

- Accounts \_\_\_\_\_ special tax advantages
  - e.g., Checking, savings, brokerage

- Accounts \_\_\_\_\_ special tax advantages
  - e.g., IRAs, 401ks, 529s
  - Generally, no special tax advantage without an IRS limitation

### Individual Retirement Accounts (IRAs)

- Intent: Long term retirement savings (past age 59½)
- 2025 Contribution limits
  - \$7,000 + \$1,000 catch up (age 50+)
- Traditional IRA (pre-tax)
  - Contribute \_\_\_\_\_ income
  - Earnings grow \_\_\_\_\_
  - Can convert to a Roth but could be taxable
- Roth IRA (after tax)
  - Contribute \_\_\_\_\_ income
  - Earnings grow \_\_\_\_\_
- Traditional IRA (pre-tax)
  - Withdrawals prior to 59½ are taxed as ordinary income plus 10% penalty
  - Withdrawal once 59½ are taxed as ordinary income
  - Required Mandatory Distribution (RMD) starts at 73 (or 75 if born 1960+)
- Roth IRA (after tax)
  - Take out contributions any time, no tax or penalty
  - Earnings taxable plus 10% penalty when distributed:
    - Before 59 ½ and have Roth < 5 years
    - Otherwise, earnings tax-free

◆ (General description only; each option has limitations, special considerations—check with your financial and tax advisor.)

### Other IRA Types

- “Spousal IRA”
- Beneficiary IRA
  - Different distribution rules based on year original owner died (during or before 2019)

- “Backdoor Roth IRA”
- SEP IRA
  - Generally, for sole business owner and spouse
  - Higher contribution limits: <of 25% compensation or (\$70,000 for 2025)
  - No catch-up contribution
- SIMPLE IRA
  - Used by small businesses, inexpensive
  - \$16,500 contribution limit for 2025 + \$3,500 catch up (age 50+)
 

Catch up ages 60-63, > \$5,000 or 150% of regular catch up  
 $(\$3,500 \times 150\%) = \$5,250$

### Company-Sponsored Retirement Savings Plans

- Intent: Long term retirement savings
- 401(k), 403(b), 401(a), 457, TSP, SEP IRA, SIMPLE IRA
  - Generally, employers match along with employee contributions
  - These have pre-tax and Roth options
  - Similar in nature but \_\_\_\_\_ identical to Traditional and Roth IRAs
  - Option to roll to a Traditional/Roth IRA or company plan when leave employer
- Contribution limits 401(k), 403(b), TSP
  - \$23,500 + \$7,500 catch up (age 50+)
  - \$70,000 total combined employee & employer contribution + \$7,500 catch up (age 50+)
 

\*2025 catch up ages 60-63, >\$10,000 or 150% of regular catch up  
 $(\$7,500 \times 150\%) = \$11,250$
  - SEP and SIMPLE have their own rules and limits
  - 2026 Catch-up Contributions for 50+ are Roth contributions (not pre-tax) for those earning \$145,000+

### Other Company-Sponsored Savings Plans

- Pensions
- Employee Stock Purchase Plans (ESPPs)

- Cash Balance Plans
- Nonqualified Deferred Compensation Plans (Top hat plans)
- Stock options, Restricted Stock, Restricted Stock units, etc.

### **Educational Savings Accounts**

- 529 account (Qualified Tuition Plan)
  - Intent: \_\_\_\_\_  
K-12 tuition, college tuition + R&B, trade school, apprenticeships, and more
  - Most states offer 529 plans, incentives vary by state
  - Growth is at least tax deferred
  - Growth is tax free if used for qualified educational expenses
- Alternatives
  - Uniform Transfer to Minors Act (UTMA)
  - Coverdell

### **Other Investment Accounts**

#### **Health Savings Account (HSA)**

- Intent: \_\_\_\_\_  
\_\_\_\_\_
- 2025 Contribution limits: \$4,300 single / \$8,550 family
  - \$1,000 catch-up if age \_\_\_\_\_
- Triple tax efficient
- Distributions before age \_\_\_\_\_ if not used for qualified medical expenses
  - Ordinary income tax plus 20% penalty
- Distributions age \_\_\_\_\_ if not used for qualified medical expenses
  - Ordinary income tax

#### ABLE account

- Savings accounts for individuals with disabilities
  - Age of disability before age 26 (age 46 starting in 2026)

#### Other Types of Investments

##### Annuities

- Generally, an insurance product
- Options may provide guaranteed future income for life
- Fixed or variable returns
- Can be complex to understand

##### Life Insurance

- Whole Life/Universal Life
- Fixed or variable returns

### **THREE INVESTMENT PATHWAYS**

#### **1. Do it Yourself**

- Pick and Build your own (e.g., index funds, target date funds)

#### **2. Do it Yourself with Help**

- Investment newsletter
- Robo Advisor
  - Provide your basic financial information and goals
  - Receive automated, customized advice

#### **3. Advisor Managed**

- An agreement with a Financial Advisor/Planner to handle your investing decisions

## WHERE DO I GO AND WHOM DO I USE?

- Your money is \_\_\_\_\_ your responsibility!!
- Understand the decisions; ask the right questions.
- Most important aspect is the \_\_\_\_\_.
- Find a person with the \_\_\_\_\_  
\_\_\_\_\_.
- You should have the \_\_\_\_\_  
\_\_\_\_\_
- Use someone you \_\_\_\_\_!
  - Use referrals
- Should have Fiduciary Duty
- Avoid financial advisors who ...
  - Want to \_\_\_\_\_ you something TODAY!
  - Don't disclose how they \_\_\_\_\_ their money
  - Don't tell you how \_\_\_\_\_ they will make from you
  - Has no interest in \_\_\_\_\_ you

## SEARCH FOR YOUR FINANCIAL ADVISOR

- Ask your close trusted friends about their advisors
- Consider Kingdom Advisors  
<https://kingdomadvisors.com/>
- Use National Association of Personal Financial Advisors  
<https://www.napfa.org>
- Use FINRA  
<https://www.finra.org/investors#/>

- Commission, Fee Based or Fee Only
- Identify 2 or 3 potential advisors
  - Interview and evaluate them
- Select one or keep searching for a great match

## **PUTTING IT ALL TOGETHER**

### **Investment Planning**

- Creating a \_\_\_\_\_ investment plan that describes your long-term \_\_\_\_\_ and \_\_\_\_\_ will help you make better investment decisions.
- It will give you a steady \_\_\_\_\_ during market storms.

### **Financial Planning**

- Analyze your current financial situation and savings to see:
  - if you are on track to meet your goals (long term projections software)
  - if you are using the most tax efficient accounts

## **CLOSING THOUGHTS**

- Maintain a Biblical Balance in Saving and Kingdom Investing!
- The Bible says a foolish person has “\_\_\_\_\_.”

### **PROVERBS 21:20 ESV**

Precious treasure and oil are in a wise man’s dwelling, but a foolish man devours it.

- Jesus called the man who hoarded too much stuff a “fool.”

LUKE 12:20-21 ESV

But God said to him, ‘Fool! This night your soul is required of you, and the things you have prepared, whose will they be?’ So is the one who lays up treasure for himself and is not rich toward God.”

- Matthew 25 Investors: “Well done...!!” or “You wicked, lazy servant...”?
- Three Questions (Finish Lines)
  - How much is enough (for me/us) ?
  - How much is enough for our children?
  - What will you do with the rest?
- Remember God ‘brought da pie’!!